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**HF 573** – Home Rule for Schools, Statutory (LSB1444HV)

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Fiscal Note Version – New

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**Description**

**House File 573**, successor to **HF 26**, grants home rule to school districts, allowing districts the ability to liberally construe Iowa Code chapters detailing the roles and responsibilities of school districts and school boards (Iowa Code chapters [257](#), [257B](#), and [274](#) through [301](#)). Home rule in this context allows school districts to make policy decisions on items not specifically outlined in Code. This is a limited home rule application, meaning that school districts and boards will not have the ability to levy any tax outside of those previously allowed for the purposes specified, and their actions must remain consistent with the laws of the General Assembly.

**Background**

School districts across Iowa currently function in a Dillon's Rule environment. Under Dillon's Rule, school boards are only allowed those powers and abilities that are specifically allowed by law. Uses of funds and application of programs are subject to strict interpretations based on Iowa Code and administrative rule, and school districts are bound by the narrowest interpretation of law. For example, if statute provides that a school district may partner with another school district for a project, a district is limited to partnering with a single other school district; a district would not be permitted to partner with multiple school districts, an Area Education Agency, or any other public or nonpublic entity. Under limited home rule, districts would still be subject to Iowa Code and administrative rule as well as federal regulations; however, in this example, they would not be limited to partnering only with another single school district unless specified by rule, because the language could be interpreted permissively. It is unclear how the application of administrative rules may shift under varying interpretations at the school district level.

**Assumptions**

- Implementation of home rule at the school district level will vary depending on whether the school board chooses to adhere closely to written statute or to more liberally construe terms.
- More liberal interpretation of statute regarding discretionary levies, such as the Physical Plant and Equipment Levy (PPEL) and the Management Levy, may cause school districts to levy more property taxes to utilize all of those funds.
- This home rule application does not increase General Fund spending authority.
- The Instructional Support Levy and Educational Improvement Levy will not be affected because they relate to the school district's General Fund, and the application of these programs does not change.

**Fiscal Impact**

The estimated fiscal impact of HF 573 on school districts cannot be determined. The Legislative Services Agency (LSA) estimates that there will not be increased school district General Fund levying authority as a result of this Bill, but there are discretionary levies that may be affected.

- There are 24 school districts that are below the maximum board-approved PPEL levy level and may therefore choose to increase their levy with increased flexibility. However, it cannot be determined which, if any, of these districts may do so. Current administrative rule lists 21

allowable uses of PPEL funds and seven inappropriate uses, including “any purpose not expressly authorized in the Iowa Code.” It is unclear how a liberal interpretation of Iowa Code at the district level may change these expressly authorized allowances.

- Management Levy rates currently vary across school districts from \$0.00 per \$1,000 of valuation to \$5.35 per \$1,000 of valuation. Administrative rule lists nine allowable uses of Management funds and six inappropriate uses. As with the PPEL funds, inappropriate uses include “any purpose not expressly authorized in the Iowa Code.” It is unclear how a liberal interpretation of Iowa Code at the district level may change these expressly authorized allowances.
- There are a number of fees at the district level that currently cannot be collected from students because districts do not have Code authority to do so. Fees that may function as tuition for students may not be assessed, so no fees may be collected for any purpose having to do with activities, events, curriculum, or supplies that are required for school. However, other fees could be created under a liberal construction of Code authority. Examples of these fees include:
  - Punitive fees.
  - Parking fees.
  - Fees for classroom celebrations.
  - Graduation cost fees.
  - Fees for insurance for technology.

### **Minority Impact**

A minority impact cannot be determined at this time.

### **Sources**

Department of Education  
Department of Management  
281 IAC ch. [98](#)  
LSA analysis and calculations

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/s/ Holly M. Lyons

March 21, 2017

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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